



Committee On Finance

Max Baucus, Ranking Member

NEWS RELEASE

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(WASHINGTON, D.C.) U.S. Senator Max Baucus made the following remarks today at a Progressive Policy Institute event where he focused on expanding trade opportunities and promoting engagement with the countries of the Middle East:

**Speech of U. S. Senator Max Baucus
Middle East Trade and Engagement Act of 2003
"Rebuilding the Silk Road"
September 30, 2003**

Good morning, and thank you for coming. Will, thanks for your excellent remarks. Will Marshall has been a key thinker in Democratic circles for nearly two decades. His Progressive Policy Institute makes a real difference. Thanks for your hard work.

Thanks also to Ed Gresser and the Progressive Policy Institute for putting this event together. Ed was a staffer of mine years ago. I'm sure you've all seen him quoted in the Washington Post recently about the WTO talks in Cancun. It's nice to see a former staffer doing so well.

And I thank Senator McCain for his comments. As usual, his thoughts are insightful and important. Few members of Congress have as much credibility in international affairs and security matters as John McCain.

That is why I am proud to be cosponsoring the Middle East Trade and Engagement Act with him. Senator McCain recognizes that this bill is about much more than simply increasing U.S. trade with the Middle East, although that in itself is a worthwhile goal.

It's about how trade can help promote peace and stability in the Middle East, and how that can make us more secure here at home.

THE SILK ROAD

As the rest of the world has eliminated barriers to trade and dramatically increased the volume of international trade, the Middle East has been left largely on the sidelines. This was not always the case.

For more than a thousand years, the Middle East lay at the heart of the most important trade route in the world. The Silk Road that linked the Western world with China wound its way through what is today Egypt, Iraq, Jordan, Turkey, and a host of other countries in the Middle East.

Merchants who traveled either direction along the Silk Road brought with them not only their goods for sale, but also their ideas and their culture. Perched at this crossroads of East and West, the Middle East gave rise to great cultures whose contributions to humankind transformed our world forever.

The written rule of law was first developed in the Middle East. So was the scientific pursuit of medicine. In fact, the first surgeries were performed in the Middle East.

While Europe muddled through the Dark Ages, the Middle East prospered. Libraries in the vibrant universities of Morocco and Egypt preserved knowledge that might otherwise have been lost forever. The task was made easier by a new high-tech product first mass produced in the Middle East **B** paper.

Commercial innovations such as commodity trading and the letter of credit came from the Middle East. And it can fairly be said that the true dawn of the information age occurred not in Silicon Valley, but in the Middle East, where mathematicians first conceived the idea of the number zero.

It is no wonder the Middle East is called the Cradle of Civilization. All of these advances arose out of a Middle East made prosperous from the trade that flowed across its lands.

COMMERCIAL ISOLATION

The Silk Road long ago ceased to carry much trade through the Middle East, and the focus of international commerce moved elsewhere. Today, many economies in the Middle East suffer from deepening poverty and stagnant growth. There are many young people looking for work **B** and not nearly enough jobs.

That's because much of the Middle East has liberalized its trade far less than the rest of the world. Many Middle Eastern countries maintain high barriers to trade and investment. Average tariffs above 20% are common throughout the Middle East.

Non-tariff barriers **B** including boycotts, bans, and complex customs procedures **B** also present enormous obstacles to trade with the Middle East. Egypt, for example, bans all imports of clothing. In some cases, over-reliance on the petroleum industry has discouraged investment in other sectors of the economy. The result is a lack of entrepreneurial spirit and a declining standard of living as oil revenues and job creation fail to keep pace with explosive population growth.

DEMOGRAPHICS

This last point **B** explosive population growth **B** is what in my view makes helping to stimulate the economies in the Middle East a security imperative. In Yemen, for example, the average woman gives birth to seven children. Of the more than 17 million people in that country, nearly half are age 14 or younger. And Yemen is by no means unique.

Unless the economies in the Middle East change dramatically, literally tens of millions of young people will be entering the workforce in the next few years to look for jobs that simply don't exist. Large numbers of unemployed youth means political instability. That would cause concern in any country on Earth. In the already volatile Middle East, it is especially troubling.

As U.S. Trade Representative Robert Zoellick says, it's an insult to law-abiding poor people the world over to argue that poverty leads inevitably to terrorism. But **B** as Ambassador Zoellick argued in the aftermath of September 11 **B** trade policy can help fight terrorist groups by promoting growth and economic integration.

THE PRESIDENT'S MIDDLE EAST TRADE INITIATIVE

For that reason, I applaud the President's Middle East trade initiative.

The United States has long engaged the Middle East politically. The President's initiative now seeks to engage the Middle East economically by negotiating a free trade area in the Middle East by 2013. This is an excellent idea. It would re-ignite economic growth and expand opportunity in both the United States and the Middle East.

But there are two problems with the President's proposal. First, it excludes countries just outside the geographic Middle East that need this sort of program just as badly, if not more so. That includes Afghanistan, Bangladesh, Pakistan, and Turkey.

Second, 2013 is a very long time to wait. By then, the economic and political problems in these countries will have gotten much worse.

That is due in part to the fact that other countries that produce similar goods already enjoy duty-free access to the U.S. market under existing preference programs. Doing nothing in the short term means that Middle Eastern goods will continue to be more expensive, and Middle Eastern countries will fall further behind.

TRADE PREFERENCES FOR THE GREATER MIDDLE EAST

That is why Senator McCain and I have introduced the Middle East Trade and Engagement Act.

Our bill gives the President the power to allow countries in what we term the **A**Greater Middle East[@] that meet certain conditions **B** such as supporting the war on terrorism and reforming their economies **B** to export products to the United States duty free.

Unlike the President's initiative, this can have an immediate impact on increasing U.S. trade with the Greater Middle East. Important exports from this region face tariffs much higher than the U.S. average of 2.4%. Dates, olives, tree nuts, sardines, luggage, shoes, clothing **B** all face tariffs several times this rate.

Last year, nearly half of Bangladesh's most important exports to the United States faced tariffs of 15% or more. In contrast, tariffs of 15% or more were applied to none of the 100 most important imports from the EU, Norway, or Japan.

Removing duties from these products will lower prices and increase trade. It will also encourage higher levels of investment in the Middle East as companies open operations there to benefit from the bill.

We know this idea can work because it has worked before in other regions. According to the Administration, a similar trade preference program for sub-Saharan Africa ~~A~~continues to foster new trading opportunities and investment, create new jobs, and promote economic development. @

The Baucus-McCain bill can accomplish exactly the same in the Greater Middle East.

FREE TRADE AGREEMENTS

For these reasons, a trade preference program is the right policy for the Middle East in the short term. It will provide a much needed stepping stone on the way to what Senator McCain and I agree with the President is the right policy in the long term **B** free trade agreements.

Our bill in fact calls for the President to develop a plan to negotiate free trade agreements with countries that are ready.

But few are ready now. And they may not be for a long time. Many Middle Eastern countries need to make difficult economic and political reforms before a free trade agreement can become a realistic option. By helping to stimulate their economies, a trade preference program would encourage them to do so.

That has certainly been the experience of the five countries in the Southern African Customs Union. After several years of exporting products to the United States duty free under a preference program, they recently began negotiating a free trade agreement with the United States. We hope that this precedent will continue under our legislation.

U.S.-MIDDLE EAST TRADE AND ECONOMIC COOPERATION FORUM

In addition to a preference program for the Middle East, our bill contains a variety of provisions to encourage closer economic and political ties with the Middle East.

It creates a U.S.-Middle East Trade and Economic Cooperation Forum, annual meetings of high-level officials from the United States and the countries in the Middle East **B** including the USTR and Secretaries of State, Treasury, and Commerce and their foreign counterparts **B** to discuss expanding trade and investment relations.

It encourages business and NGOs from the United States and the Middle East to hold meetings in conjunction with the annual meeting of the Forum.

And it directs the President to hold a summit with the heads of government from the countries of the Middle East at least once every two years to discuss economic matters.

The goal is to get our political and business leaders talking regularly about the U.S.-Middle East economic relationship. This increased dialogue will strengthen business ties and deepen cultural understanding between America and the countries of the Middle East.

CONCLUSION

We need to bring the countries of the Middle East more into the world trading system. That's what this legislation is all about.

It's about helping to stimulate and diversify the economies of the Middle East and creating jobs for the increasing number of young people entering the workforce, some of whom may otherwise be recruited by our enemies in the war on terrorism.

It's about strengthening business and political ties between the United States and the countries of the Middle East.

It's about helping the countries in the Middle East live up to their enormous potential so that they and the whole world may benefit, as the whole world benefitted from great Middle Eastern civilizations in the past.

It's about rebuilding the Silk Road that once made the Middle East wealthy, prosperous, and secure.

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